Michigan Department of Treasury 496 (02/06) Auditing Procedures Report

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Loca	al Unit	of Go	vernment Typ	е			Local Unit Na	me		County
$\perp =$	Coun		□City	□Twp	□Village	⊠Other	Grand Bla	anc District Library Comm	nission	Genesee
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L			31, 2006		August 22	, 2007				
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					erial, "no" resp ments and rec			osed in the financial statem	ents, includ	ding the notes, or in the
	Check each applicable box below. (See instructions for further detail.)									
1.	X		All require reporting	ed compore entity note	nent units/func es to the finan	ls/agencie cial staten	es of the local nents as nece	unit are included in the fina ssary.	ancial state	ments and/or disclosed in the
2.	X		There are (P.A. 27	no accur 5 of 1980)	nulated deficits or the local ur	s in one o nit has not	r more of this exceeded its	unit's unreserved fund bala budget for expenditures.	ances/unres	stricted net assets
3.	X		The local	unit is in o	compliance wit	th the Unit	form Chart of	Accounts issued by the De	partment o	f Treasury.
4.	×		The local	unit has a	idopted a bud	get for all	required fund:	S.		
5.	X		A public h	nearing on	the budget wa	as held in	accordance v	vith State statute.		
6.	X		The local other guid	unit has r dance as i	not violated the ssued by the L	Municipa ocal Audi	l Finance Act t and Finance	, an order issued under the Division.	Emergeno	cy Municipal Loan Act, or
7.	X		The local	unit has r	not been delind	quent in di	stributing tax	revenues that were collecte	ed for anoth	ner taxing unit.
8.	X		The local	unit only I	holds deposits	/investme	nts that comp	ly with statutory requiremen	nts.	
9.	X		The local Audits of	unit has n Local Unit	no illegal or unates of Government	authorized ent in Mic	d expenditure: higan, as revi	s that came to our attention sed (see Appendix H of Bu	as defined lletin).	d in the <i>Bulletin for</i>
10.	X		There are	no indica not been	tions of defalo	ation, frau	ıd or embezzi ed to the Loca	ement, which came to our	attention du	uring the course of our audit If there is such activity that has
11.		×	The local	unit is fre	e of repeated	comments	from previou	s years.		
12.	X		The audit	opinion is	UNQUALIFIE	D.		·		
13.	×				complied with (or GASB 34 a	s modified by MCGAA Stat	tement #7	and other generally
14.	×					•	prior to payme	ent as required by charter o	or statute.	
15.	X	П						ed were performed timely.		
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			Accountant (F	irm Name)		<u> </u>		Telephone Number 810-767-5350		
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Grand Blanc District Library Commission Grand Blanc, Michigan

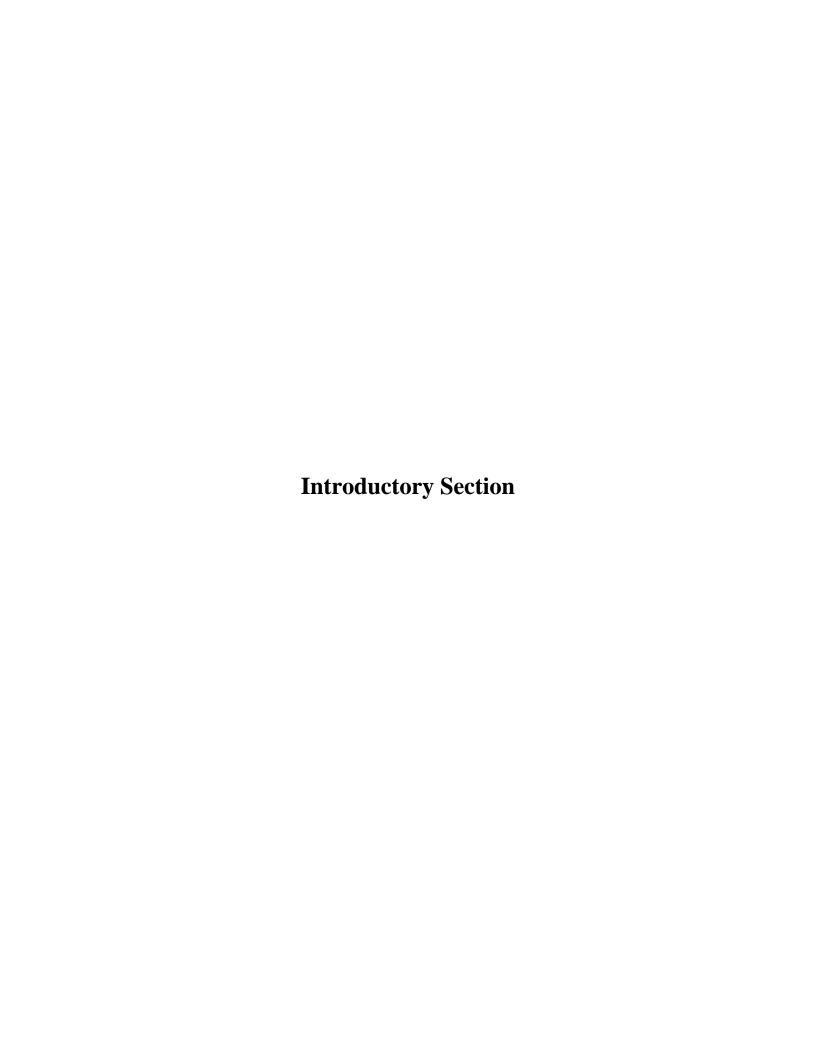
Financial Report

December 31, 2006

Grand Blanc District Library Commission Financial Report December 31, 2006

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Grand Blanc District Library Commission Grand Blanc, Michigan List of Appointed Officials

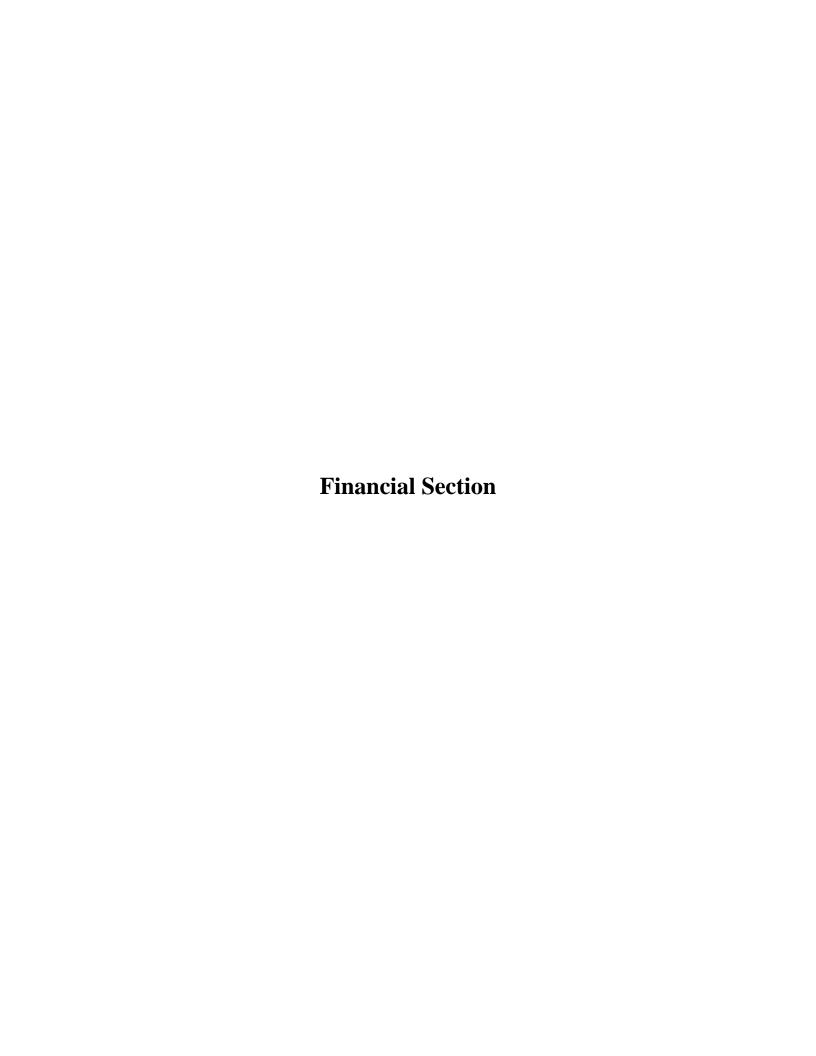
Michael Bourke President

Bob Jones Vice President

Judith R. Schroeder Secretary

Debbie Rolf Treasurer

Pat DeMarco Trustee



Plante & Moran, PLLC



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Independent Auditors' Report

The Honorable Members of the Grand Blanc District Library Commission City of Grand Blanc, Michigan

We have audited the financial statements of the governmental activities and each major fund of the Grand Blanc District Library Commission, Grand Blanc, Michigan, as of December 31, 2006, and for the year then ended, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Grand Blanc District Library Commission, Grand Blanc, Michigan at December 31, 2006, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 and 4 and the information in the required supplementary information section on page 13 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Plante + Moran, PLLC





Grand Blanc District Library Commission Management's Discussion and Analysis

As management of Grand Blanc District Library Commission, we offer readers of Grand Blanc District Library Commission's financial statements this narrative overview and analysis of the financial activities of the Grand Blanc District Library Commission.

The basic financial statements for the Grand Blanc District Library Commission are comprised of the governmental fund balance sheet/statement of net assets, combined statement of revenues, expenditures, and changes in fund balances-statement of activities and notes to the financial statements.

The statement of net assets presents the information of the governmental fund for both the assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the governmental fund's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental fund financial statements.

Financial Highlights

The government-wide financial analysis focuses on the Statement of Net Assets and the Statement of Activities. The total assets of the Commission are \$59,723 of which \$9,818 represents capital assets net of accumulated depreciation. The liabilities are \$3,967, which represents amounts due to vendors, leaving current net assets of \$49,905.

Net assets decreased by \$46,382 for the Commission as a result of capital improvements which were offset by local government contributions of \$92,000 and interest income of \$2,371.

General Fund Budgetary Highlights

The Commission adopted their budget. General fund revenues of \$94,475 did not exceed expenditures of \$149,929 decreasing fund balance by \$55,454. General fund expenditures were \$57,929 over budget. The most significant expense over budget related to the unanticipated roof repairs.

The Commission as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

	Governmental	
	<u>2006</u>	<u>2005</u>
Current assets	\$ 53,872	\$108,733
Capital assets	4,938	747
Total assets	58,810	109,480
Current liabilities	3,967	3,374
Total liabilities	3,967	3,374
Net assets:		
Invested in capital assets	4,938	747
Unrestricted	49,905	105,359
Total net assets	\$ 54,843	\$106,106

The Commission's governmental activities net assets decreased by 77.6 percent from a year ago – decreasing from \$106,106 to \$59,723. Last year's net assets increased 3.75 percent.

The following table shows the changes of the net assets during the current year and as compared to the prior year:

	Governmental	Activities
	<u>2006</u>	<u>2005</u>
Revenue		
Intergovernmental:		
Charter Township of Grand Blanc	\$ 55,200	\$ 55,200
City of Grand Blanc	36,800	36,800
Interest and other	2,475	1,439
Total revenue	94,475	93,439
Program Expenses		
Library building operations	145,738	89,456
Total program expenses	145,738	89,456
Change in net assets	\$ (51,263)	\$ 3,983



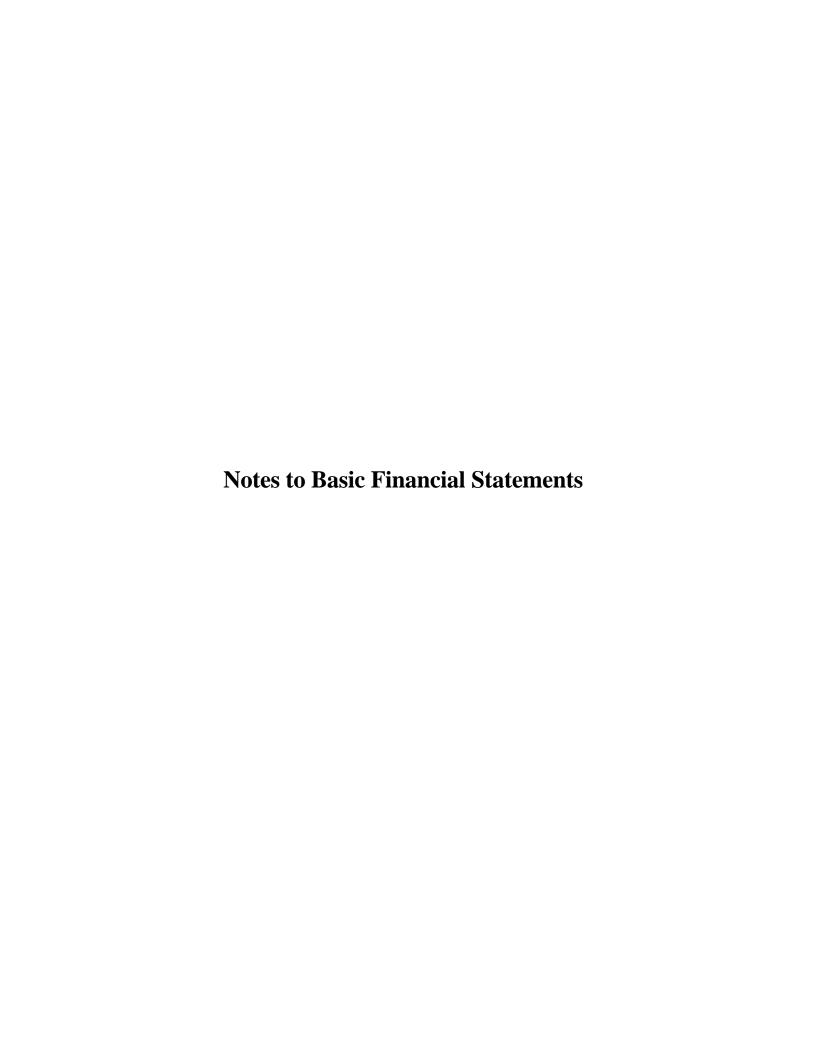
Grand Blanc District Library Commission Statement of Net Assets and Governmental Fund Balance Sheet General Fund December 31, 2006

Assets Cash and cash equivalents Capital assets		General Fund	justments ote II A)	Statement of Net Assets	
		53,872	\$ - 4,938	\$	53,872 4,938
Total assets	\$	53,872	4,938		58,810
Liabilities					
Accounts payable	\$	3,967	-		3,967
Fund Balance/Net Assets					
Fund balance: Unreserved - undesignated		49,905	(49,905)		<u>-</u>
Total fund balance		49,905	(49,905)		-
Total liabilities, and fund balance	\$	53,872			
Net assets: Invested in capital assets Unrestricted			4,938 49,905		4,938 49,905
Total net assets			\$ 54,843	\$	54,843

Grand Blanc District Library Commission Statement of Activities and Governmental Fund Revenue, Expenditures, and Changes in Fund Balance General Fund

For the Year Ended December 31, 2006

	General Fund		Adjustment (Note II B)		Statement of Activities
Expenditures/Expenses	Φ.	1.40.020	Φ.	(4.101)	¢ 145 720
Library building operations	\$	149,929	\$	(4,191)	\$ 145,738
General Revenue					
Intergovernmental:					
Charter Township of Grand Blanc		55,200		-	55,200
City of Grand Blanc		36,800		-	36,800
Interest and other		2,475		-	2,475
Total general revenue		94,475		-	94,475
Excess (Deficiency) of Revenue Over Expenditure		(55,454)		4,191	(51,263)
Fund Balance/Net Assets					
Beginning of the year		105,359		747	106,106
End of the year	\$	49,905	\$	4,938	\$ 54,843



I. Summary of significant accounting policies

The accounting policies of the Grand Blanc District Library Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Grand Blanc District Library Commission.

A. Reporting entity

The Grand Blanc District Library Commission was formed in September 1, 1991, by an agreement between the City of Grand Blanc and Grand Blanc Township. The Commission was organized for the purpose of providing library services for the district.

The Commission is governed by a five-member Board appointed by the governing bodies of the participating members. The agreement provides that the allocation will be 60% (Township) and 40% (City) of the net expenses split between the two municipalities. In addition, the Board of the Commission is required to submit an annual operating budget to the governing body of each municipality for approval. Any of the members may withdraw from the Commission by giving written notice one year prior to withdrawal. The withdrawing municipality shall convey its interest to the other participating municipality and shall be reimbursed for its share according to a mutual payment plan which will be consistent with allowable budget expenditures.

The City of Grand Blanc made a contribution of \$36,800 and Grand Blanc Township contributed \$55,200 for a total of \$92,000 for the year ended December 31, 2006.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or units of government who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Commission does not have any proprietary of fiduciary funds.

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Governmental fund financial statements (i.e. the balance sheet and governmental statement of revenues, expenditures, and changes in fund balance) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on its balance sheet. Its reported fund balance (net current assets) is considered a measure of "available spendable resources." Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Municipal billings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following governmental fund:

General Fund – It is used to account for all financial resources except those required to be accounted for in another fund.

D. Assets, liabilities, and net assets or equity

1. Deposits

The Commission's cash and cash equivalents include cash on hand and demand deposits.

2. Capital assets

Capital assets, which include equipment, are reported only in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$300 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

2. Capital assets – (continued)

Furniture and fixtures, land improvements, and building improvements are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and fixtures	7
Equipment	7
Land improvements	7
Building improvements	5

3. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

4. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Fund Balance Sheet. The details of this difference at December 31, 2006 are as follows:

Capital assets, net of accumulated depreciation	\$ 4,938
Net adjustment to increase fund balance -total governmental funds	
to arrive at net assets -governmental activities	\$ 4,938

II. Reconciliation of government-wide and fund financial statements – (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation is that governmental funds report capital outlays as expenditures at the time of purchase. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this difference for the year ended December 31, 2006 are as follows:

Capital outlay	\$ 5,753
Depreciation expense – library building operations	(1,562)
Net adjustment to decrease net changes in fund balances -	
total governmental funds to arrive at changes in net assets	
of governmental activities	\$ 4,191

III. Stewardship, compliance, and accountability

Budgetary information

The Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to December 1, a proposed operating budget is submitted to the Commission Board for the year commencing December 1. The operating budget, which is prepared on a basis consistent with accounting principles generally accepted in the United States of America, includes total proposed expenditures, and the means of financing them, for the General Fund.
- 2. After the Board reviews the proposed budget, it is then sent to the two municipalities for their approval. The budget is legally adopted on a fund basis after each municipality submits its approval to the Commission Board.
- 3. Any revisions that alter the total expenditures of the General Fund must first be approved by the Board and then by each municipality.
- 4. Budget appropriations lapse at year end.
- 5. Budgeted amounts are reported on the financial statements as originally adopted and as finally amended by the Commission Board.

Building repairs and maintenance had a large overrun due (\$68,888) primarily due to unanticipated roof repairs.

IV. Detailed notes on all funds

A. Deposits and investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated one bank for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Library's deposits and investment policies are in accordance with statutory authority. The Library held no investments at December 31, 2006.

The Library's cash and investments are subject to risk, which is examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, all of the Library's bank deposits (checking, savings, and money market accounts) were insured. The Library evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

B. Capital assets

Capital asset activity for the year ended December 31, 2006 was as follows:

	Beginning			Ending
	Balance	<u>Increases</u>	<u>Decreases</u>	Balance
Governmental activities:				
Capital assets being depreciated:				
Furniture and fixtures	\$ 2,847	\$ -	\$ -	\$ 2,847
Equipment	780	5,753	-	6,533
Total capital assets being depreciated	3,627	5,753	-	9,380

IV. Detailed notes on all funds – (continued)

B. Capital assets – (continued)

_	Beginning			Ending
	Balance	<u>Increases</u>	<u>Decreases</u>	Balance
Governmental activities: – (continued)				
Less accumulated depreciation for:				
Furniture and fixtures	(2,332)	(306)	-	(2,638)
Equipment	(548)	(1,256)	_	(1,804)
Total accumulated depreciation	(2,880)	(1,562)	-	(4,442)
Total capital assets, being depreciated, net	747	4,191	-	4,938
Governmental activities capital assets, net	\$ 747	\$4,191	\$ -0-	\$ 4,938

V. Risk management

The Commission is exposed to various risks at loss related to property loss, torts, errors and omissions. The Commission has purchased commercial insurance for coverage of all claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.



Grand Blanc District Library Commission Schedules of Revenue, Expenditures, and Changes in Fund Balance Budget and Actual-General Fund For the Year Ended December 31, 2006

		Original Budget	Amended Budget		Actual	with	Variance n Amendec Budget
Revenue	'						
Intergovernmental	Φ.	55.200	Φ 55.20	о ф	55.200	ф	
Charter Township of Grand Blanc	\$	55,200	\$ 55,20		55,200	\$	-
City of Grand Blanc Interest and other income		36,800	36,80	J	36,800		2 475
interest and other income					2,475		2,475
Total revenue		92,000	92,00	0	94,475		2,475
Expenditures							
Current:							
Utilities		30,000	30,00		27,508		2,492
Janitorial services		16,000	16,00		15,024		976
Building repairs and maintenance		13,000	13,00		81,888		(68,888)
Telephone		900	90		797		103
Grounds maintenance		8,000	8,00		6,947		1,053
Professional services		4,700	4,70		3,385		1,315
Insurance		6,500	6,50		5,028		1,472
Miscellaneous		400	40		390		10
Plumbing and heating repair		10,000	10,00		7,269		2,731
Security system maintenance	-	2,500	2,50	J	1,693		807
Total expenditures		92,000	92,00	0	149,929		(57,929)
Excess of revenue over expenditures		-	-		(55,454)		(55,454)
Fund Balance - Beginning of year		105,359	105,35	9	105,359		
Fund Balance - End of year	\$	105,359	\$ 105,35	9 \$	49,905	\$	(55,454)





Suite 1A 111 E. Court St. Flint, MI 48502 Tel: 810.767.5350 Fax: 810.767.8150 plantemoran.com

August 22, 2007

To Members of the Board Grand Blanc District Library Commission Grand Blanc, Michigan

Dear Members of the Board:

In planning and performing our audit of the financial statements of Grand Blanc District Library Commission as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies and material weaknesses in internal control:

Lack of Segregation of Duties

Because of the volunteer status and the small number of Commission members, the major weakness in the accounting system is a lack of segregation of duties. Duties are properly segregated when Commission responsibilities are arranged so that the work of one board member is reviewed by another and no one board member has control over both the safekeeping of a Commission asset and the financial records for the same asset. The Treasurer of the Commission has control over both the Commission's bank accounts and the financial records. Under these circumstances, the possibility of a error being made in the accounting records and not being discovered on a timely basis exists.

We wish to make it absolutely clear that we are not suggesting that the Treasurer is making errors of any nature. During the course of our audit, we found the Treasurer's records to be both complete and accurate. What we are saying is that due to the lack of segregation of duties, there is an inherent limitation in your system of internal accounting control, and we are required to disclose this to you.



Lack of Accrual Accounting

In order for accounting records to accurately reflect accruals, accounts receivable (i.e. Due from other Governments) and accounts payable should be posted at year end. Amount due from the member units and accounts payable are not posted. We recommend any amounts due from the member units and accounts payable be recorded at year end and a schedule to be prepared detailing the amount.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

We believe that the lack of segregation of duties and the lack of accrual accounting noted above to be material weaknesses.

While a lack of segregation of duties exists, the Board has implemented policies and accounting procedures to provide assurance that all disbursements of the Commission are authorized and proper:

- A second signature is required on all Commission checks.
- The Board receives monthly financial reports and reviews all disbursements prior to payment.
- Fidelity bond coverage has been obtained for the Treasurer.

This communication is intended solely for the information and use of management, the board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Plante & Moran, PLLC

and Duly

Tadd Harburn, CPA